

AN
INQUIRY
INTO THE CAUSES OF
THE PRESENT DERANGEMENT
OF
PUBLIC CREDIT.

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THE PRESENT DERANGEMENT

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MR. PITT'S SPEECH IN THE HOUSE OF COMMONS,

(Mr. Pitt's M.)

ON THE 27TH OF MARCH LAST.

TO WHICH IS ADDED,

Some Hints to the Legislature for the Formation of a
Plan for the immediate Employment of the numerous
destitute Poor.

SI QVIS DUBITAT, AUDITO.

L O N D O N :

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ADVERTISEMENT.

IF it should be enquired with what view this pamphlet is written, the answer is, it has two objects in view: the one, to shew that the system of British commerce is intimately connected with the system of British politics; that it is not so unimportant, and innocently to be trifled with, as some statesmen may imagine; and that this connection, dependence, and importance, may be understood by people in general: the other, by suggesting some ideas to those who are engaged in commercial operations, to prevent the progress of the present distress to so fatal a degree as it might otherwise attain. And if either or all of these ends are effected, this publication will not be destitute of utility.

Inquiry, p. 33.



INQUIRY, &c.

THE exquisite sensibility of public credit is justly described in a fine allegory by Mr. Addison*. He represents it under the character of a beautiful virgin, seated on a throne of gold, infinitely timorous in all her behaviour, apt to change colour and startle at every sound, subject to such momentary consumptions, that she would suddenly fall away from the most florid complexion and the most healthful state of body, and wither to a ghastly skeleton.

In the course of four short months, this allegory has been literally verified in our own times, and in our own country. From the highest state of health and vigour, this delicate virgin has been reduced to a very low state of infirmity and disease. Confi-

* Spectator, No. 4.

dence, whereon credit is founded, has been attacked, defeated, and slain ; and suspicion, gloomy suspicion, with dejection, bankruptcy, poverty, and misery, in its train, now occupies its place.

The facts are so striking and so important, as to excite a general enquiry into their cause ; and the highest authority relative to them, with which we have yet been favoured, is that of Mr. Pitt. From a variety of concurring circumstances, his opinion deserves attention ; and from circumstances no less various and concurrent, it requires examination. In his speech upon the subject of the loan on the 27th of March, he is represented to have said, " The peculiar circumstances of the state
" of credit manifested by the late failures,
" do not, I believe, arise out of causes of a
" political nature." This professed belief of Mr. Pitt's, forms the question proposed for discussion.

From the conclusion of the general peace in 1783, the nation had made a more rapid

progress in the extension of its commerce, than it had made in any former period of its history. The commercial treaty with France, and the revolution there in 1789, increased the confidence of the manufacturing and mercantile interests here, by seeming to promise a better understanding with that power, and thereby ensure a long continuance of the peace, which had been so seasonably effected. The ingenuity and industry of our artisans, a general spirit of enterprize, and an almost unbounded credit, concurred to push the trade of the nation to all extent formerly unknown, and perhaps exceeding the expectations of the most sanguine calculator.

The commercial system has within a century, undergone a total change. Credit is now generally substituted in the place of money; and has been so artificially moulded as to answer all its purposes. The nation has been accustomed to this change by degrees; and our modern system of commerce is, perhaps, principally indebted for its celebrity, to the facility of

circulation, and the general inclination which one man has to depend on the industry, the ability, and the integrity of another.

It is not difficult to trace this vast extension of dependence on credit, up to the funding system introduced into England since the revolution. From whence descending, we shall have occasion to observe, that the establishment of the Bank of England has gradually paved the way to a general paper currency; and thus, however much the extension of credit, the inundation of paper money, and the spirit of speculation, may be condemned, whether justly or otherwise is immaterial, they are consequences flowing from the political and legal establishment of the funding and the banking systems, which are their true and proper sources.

The Revolution of 1688, as a counterbalance to the blessings it obtained to the nation, was followed by several tedious and expensive wars. The public revenue was at that time inadequate to the public necessities,

cessities, and any very considerable increase would evidently have been injurious to the interests of William. Different writers attribute different motives, for the commencement of the practice of anticipating the future revenues of the state, in order to supply its immediate exigencies; but the true reason seems to have been, that it was a matter not of choice, but of real necessity; for there did not exist an alternative.

The scarcity of specie occasioned by the hoards which in a time of national distress never fail to be made, and the consequent want of circulation and credit, occasioned the terms on which the public debts were contracted, to be, what might otherwise have been called, extravagant. Supplies must, however, be had, and the old proverb was then verified, as it has since been, that the borrower is servant to the lender. The principal method used, was the grant of annuities to the lenders; some temporary, some for life, and others perpetual.

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But the effect was, to induce in individuals a dependence on the stability and the fidelity of government, for their fortunes and means of subsistence; and thus they became engaged in the sums they respectively intrusted, to exert themselves and their influence for its support.

As the exigencies of government increased, this dependence proportionably extended. People became inured, not to reckon their wealth by what they actually possessed, but by the amount of their respective claims, on the public, through the medium of its supreme authority. The transition from a dependence on the public to a dependence on a wealthy, prudent, and industrious individual, is not difficult to imagine; especially with the temptation of an increase of interest. Many persons from habits of indolence, from being unaccustomed to trade, and from other circumstances, are rather inclined to suffer their neighbours to use their property, than to use it themselves, if they have but a good

good opinion of its safety, and a regular payment of its stipulated annual produce.

In addition to the other extraordinary aids of the new government, it devised the plan, and incorporated the company of the Bank of England; and the immediate advantage it derived from this establishment was, an advance of one million two hundred thousand pounds; for the interest of which, and the expence of management, it granted an annuity of one hundred thousand pounds. It is unnecessary to trace the progress of the transactions of this Bank with the Government. But the effect of its establishment has been, to familiarize the nation with the promise to pay, in place of the actual payment; in other words, to render paper equivalent to money; to induce confidence, and thus insensibly to extend credit. The transition is again easy from this incorporated company to a banking-house, composed of five or six partners, respectable by their accumulated stock of wealth, fidelity, and acuteness, especially if their mode of
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transacting business be without the interruption of certain forms, which in the Bank of England have tended to retard the facility which business requires; and also, if they are disposed to afford greater accommodations to their customers, than the Bank of England may feel itself warranted to grant, consistent with a regard to the public safety.

Though the notes of this Bank were of universal credit throughout the kingdom, yet they were supposed to have two inconveniences. One, that they are only payable in London; the other, that their lowest value is ten pounds. To remedy these inconveniences, private banks were opened in different parts of the kingdom, issuing notes for five guineas, and ascertaining their payment at the place from whence they issued. The people now accustomed to take paper for money, and generally knowing the parties who thus formed themselves into private banking companies, confided in their security, and as paper is
more

more portable than cash, exchanged the the latter for the former. Thus, almost every man possessed of a few guineas, or having occasion to circulate them, was contented with the assurance of the bankers to pay upon demand, as fully as if he had the money in his pocket.

The amount of paper thus issued in five guinea notes, has in general been regulated by the credit of the parties and the duration of their establishment. Some banks have issued to the amount of one hundred thousand pounds, or perhaps more ; others not more than ten thousand ; and some still less. Besides the monies collected on these notes, the banks have been accustomed to receive deposits upon interest, sometimes allowing three, sometimes three and a half per cent. and generally payable upon their notes of hand, not on demand, but at a certain number of days after sight, or time of presentation. What the aggregate amount of the monies so collected might be, is incal-

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culable, but it undoubtedly forms a sum of immense magnitude.

The monies thus deposited, whether in the hands of the London or of the country bankers, must be turned to a profitable account. When the public securities are so high as they have been within the last two years, private securities offer the greater temptation. The latter afford a certain five per cent. with the additional advantage of issuing notes instead of money, or of having a balance left in hand proportioned to the accommodation afforded ; whilst the former are productive of little more than three per cent. Private securities consist of bills of exchange, notes of hand, mortgage of goods, houses, and lands ; and monies advanced on these, become new means for the extension of manufactures and commerce, which without such conveniences must be retarded, till the bills or notes become due, or the goods, houses, or lands are sold and paid for in money.

Thus

Thus the whole property of the kingdom has been thrown into circulation, and thus the manufacturer, the tradesman, and the merchant have been induced to extend their affairs, far beyond the abilities with which their capitals furnished them. It has been no uncommon thing for bankers to solicit customers to receive money, as earnestly as these customers are now obliged to solicit for money. Applications of this sort are fascinating, and few men have prudence and foresight sufficient to withstand such an allurements to increase a profitable trade, beyond the ordinary means for its support.

In this situation stood the commercial interest of Great Britain in the month of October last. Its credit greatly extended and its circulation amazingly rapid. The plenty of money, as it is denominated, but in fact the plenty of credit so moulded as to answer the purposes of money; the great demand of foreign markets and an increasing consumption at home, had occasioned vast

projects of speculation, and vast enterprises in trade and manufactures. Whatever evils might radically exist in such speculations and enterprises, they would by the ordinary methods have produced their own cure. If men were too venturesome, a few disappointments and losses would have checked their intemperance, without affecting the general system. The rashness or imprudence of any particular project would have been obvious, and would have accounted for its failure ; but general confidence would have remained unshaken.

If some well informed, cunning and active enemy had contrived the ruin of our commerce, and with it the general misery and, perhaps, ruin of our country, he would have resorted to no means so probable as to excite general suspicion and alarm. The best appointed armament that ever the world saw would not so speedily have effected his purpose, as the inducement of a general apprehension of sedition, of secret treasons, and of plots for surprizing the city of London, and
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for overturning the government. If those who actually excited these suspicions and apprehensions foresaw their consequences, they betrayed the nation. If they did not foresee them, they have given a most striking specimen of the insufficiency of their abilities, for the support and conduct of an equitable government. There seems to be no alternative. Is it possible for general suspicion and general confidence to exist together? If suspicion must be excited and encouraged, confidence must infallibly be destroyed.

The first intimation of the general plan, was given by the association for preserving liberty and property against republicans and levellers, meeting at the Crown and Anchor Tavern. They issued on the 20th of November a long advertisement, containing certain considerations and resolutions upon which they say they had agreed, and they set off with declaring that THE PUBLIC PEACE AND ORDER WERE IN DANGER. The origin and the connections of this new association

association were speedily discovered; and they tended to afford a sanction to this representation of the danger in which the public order and the public peace stood. A general alarm took place, which it was held expedient to encourage; and an attentive consideration who those were, by whom the numerous similar associations were promoted, will easily determine the source from whence they all primarily proceeded.

The public funds, alive at all times to the slightest alarm, immediately felt the shock. The three per cent. consols, which were on the 20th of November, as they had been for several previous days, at the price of eighty-seven and a half, fell on the 21st full five per cent. This tended to increase the general consternation, which re-acted upon the public funds; so that by the end of the month, the three per cents were reduced below the price of seventy-eight, when the other parts of the same plan made their appearance.

His majesty's proclamation of the first of
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December for drawing out and embodying the militia, declared, “ the utmost industry
 “ was then employed by evil-disposed persons within this kingdom, acting in concert with persons in foreign parts, with a view to subvert the laws and established constitution of this realm, and TO DESTROY ALL ORDER AND GOVERNMENT THEREIN ; and that a spirit of tumult and disorder thereby excited,” had “ lately shewn itself in acts of riot and insurrection.” This was accompanied by another proclamation for assembling the parliament, on the 13th of the same month. The same stock varied comparatively little in its price, upon the issuing of these proclamations ; for the secret which the association at the Crown and Anchor had previously disclosed, had already produced its effect.

The general consternation occasioned in the city by these ministerial measures (for no blame can be attributed to Majesty) cannot easily be described. The public apprehension was awakened for the public safety.

safety. The fortification of the tower produced the strongest assurance that an enemy was at hand ; that the city itself was in immediate danger. The additional guard at the bank of England was evidence of some formidable design to plunder its invaluable treasures. The numerous reports of the discovery and apprehension of traitors, convinced the nation of the necessity of resorting to such extraordinary measures, for maintaining the general security. And in the midst of all, how many thousand hearts trembled, for the property and credit they had engaged in the extensive operations of commerce !

Is it possible for any man of common understanding, after having contemplated the general trading system of this country, suspended as it is upon mutual confidence and credit, to imagine that *it* only could remain uninfluenced by representations and transactions, striking at the very root of all confidence and all security, as these most evidently did ? Is there so much innocency
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in a royal proclamation, as to be incapable of producing an effect which might almost be produced by a common tale, told with a suitable solemnity of countenance? Can the nation be informed by the highest authority, that "a spirit of tumult and disorder" has already "produced acts of riot and insurrection," and can it behold such measures taken, with a view to the security of its property and its capital, as indicate their extreme danger, and yet remain unmoved? Whatever effects were intended, experience has shewn that these measures begot an universal dismay, and that the attention of every man became immediately directed to the security of his own property and credit, however expensive or ruinous that security might prove to his connections.

When the parliament met, the speech from the throne, reiterated the alarming language of the proclamation, and announced the design of "augmenting the naval and military force," as being best "calculated to maintain internal tranquillity," as well as "for preserving the

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“blessings of peace.” But the nation understand an augmentation of force as an indication of approaching war. And with the melancholy view of intestine commotions and foreign war, the public mind became in reality deeply dejected, whatever appearances of zeal interested or deluded men might assume. Credit was withdrawn, which occasioned what is generally understood by a scarcity of money ; and had it not been for the seasonable and liberal assistance, afforded in the month of December by the Bank of England, which is reported to have discounted bills and notes to the enormous amount of seventeen millions, the immediate consequences must unavoidably have been fatal beyond all calculation.

Under an alarm for the safety of the bank and of the capital, was it possible for the bankers to remain assured of their own security? Was it possible for their numerous connections in both town and country, to remain assured of it? Was it possible for these bankers to furnish their usual aids to merchants, manufac-

manufacturers and tradesmen? Was it possible so sensibly to affect them, and yet the country banks, fostered by their care and encouragement remain unaffected? Could *they* furnish their accustomed aids to their numerous connections and dependencies? Could *their* security remain wholly unimpeached, whilst the nation was instructed to tremble for the safety of the national bank? All this was impossible; nor was it difficult for a discerning eye to foresee the calamities which have thus been occasioned, and which must increase, unless some miraculous power should speedily and suddenly interpose.

The subsequent measures of ministers and their emissaries have all had the same tendency. The extraordinary powers with which the Alien bill furnished them, were justified by the extreme danger to which they declared the nation was exposed, by the influx of frenchmen leagued with englishmen, for the destruction of its constitution and government. Nineteen daggers

with the words *No King* were reported by very high authority to have been discovered; but these were only a sample of thousands more, manufactured to effect the horrid deed which their motto indicated. Inquisitorial powers were assumed, secret spies were encouraged, anonymous accusations were listened to; and every art and influence exerted, to assure the people they were in the most imminent danger; and that nothing but measures so unprecedented could save them. Finally, the dismissal of the French ambassador, and a settled and obvious determination for war, at length produced, what they seemed to provoke, a declaration from the French nation that they were at war with England; which, in its progress and consequences, will probably fill up the measure of our calamities.

The effects of war are at all times extremely prejudicial to a commercial people. But how much more so must they be, when combined with apprehensions of internal

nal disturbance and commotion. Whatever foundation might have existed for suspicions of treasons, of conspiracies of insurrections and seditions, nothing could have been more unwise than to create a general alarm, for the immediate safety of the city of London and the bank of England. Armed with Laws adapted to every species of crime, and with power competent to enforce them, what was there to fear? The apprehension of traitors and conspirators, the proofs of their guilt, their condemnation and punishment, would in the same moment have announced the danger, and have exhibited the just and adequate energy of the government to avert it. The public apprehensions would have been alleviated in the instant they were unavoidably excited. But the measures pursued had a contrary effect. They spread an alarm without directing the attention of the public to the quarter from whence the mischief was to issue. The more secret the design, the more universal was the dismay.

People were looking on every side for their enemies, without the possibility of distinguishing them; and public credit, in the mean time, became reduced, according to Mr. Addison's allegory, from a blooming state of health and vigour to a mere skeleton.

How different was the conduct of Cicero in the moment of Cataline's conspiracy. Cataline and his associates had met in the house of M. Lecca, where they resolved that a general insurrection should be raised throughout Italy; that Cataline should put himself at the head of troops in Etruria; that Rome should be fired in many places at once; and that the whole senate with all their enemies should be massacred, except the sons of Pompey who were to be kept as hostages of peace with their father; that in the consternation of fire and massacre, Cataline with his Tuscan army should avail himself of the public confusion, and make himself master of the city, where Lentulus was to preside in the general

ral councils, Cassius to effect the firing, and Cethegus to direct the massacre. Cicero, whose vigilance discovered the conspiracy, and with it their design to murder himself the next morning in his bed, immediately summoned the senate to the temple of Jupiter in the Capitol, where it was not usually held but in times of public alarm, and there publicly charged Cataline, *by name* with the horrid conspiracy. Cataline, conscious of guilt, fled; whilst Lentulus and his accomplices still hastened to to execute their design. Cicero, having watched their motions, and obtained the fullest proofs of their villainies, again summoned the senate, and sent for Lentulus, Cethegus, Statilius and Gabinius, searched the house of Cethegus, where he discovered a great number of swords and daggers prepared for immediate use; and then adduced his charges and his proofs before the whole senate; upon which the conspirators were executed; Cataline, having put himself at the head of his forces, was defeated and slain; and thus

thus the public danger was removed almost in the same instant in which it was discovered.

If treasons, seditions, conspiracies and insurrections, have had any other existence than in speeches and upon paper, where is the vigilance which was bound to bring the authors of them to condign punishment? Whom are we most to blame, the authors of these treasons, seditions, conspiracies and insurrections; or those by whose connivance they have hitherto been suffered to escape? Has no crime been committed upon which the law can attach? Or, is there no power capable of effecting the execution of the criminals? The avoidance of proof, and the unnecessary delay of justice, are strong indications that the alarm was unfounded; but nevertheless, unfounded as it may eventually prove, it has had all the effect, that it would probably have produced had it been real and substantial.

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The nation now suffers in its credit and its commerce, from the union of these mighty mischiefs, the fear of internal commotion, and the operations of foreign war. By the former, we have already shewn, the bankers were instantly affected, and their connections and dependencies unavoidably suffered. By the latter, the demands for foreign markets are nearly annihilated, remittances are impeded, and in the case of France, by the provocation which the bill for preventing traitorous correspondence has probably given, are totally cut off to the amount of many millions. The price of raw materials coming from beyond the sea, must, by the delay which war always occasions, and the high rate of insurance, be greatly increased ; whilst by the loss of the foreign, and the stagnation of our internal, trade, the manufacturers find it difficult to procure a market for their goods. In short, the whole system is disturbed ; it is thrown out of its course ; and the consequences yet to be dreaded require the union of all heads

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and all hands, if by any possibility they may be diminished, or in any degree avoided.

We have shewn the connection, which subsists between the banking and the manufacturing interest; and indeed the intimate connection which subsists throughout all interests, except those of placemen, pensioners, and contractors; for these have an interest peculiar to themselves, distinct from that of the nation. But the manufacturers, deprived of the accommodations they have usually derived from their credit with the banks, are generally in a very deplorable condition. A manufacturer must always have a part of his capital sunk, in a dead immoveable stock of buildings, machines, implements, &c. He must also have a considerable quantity of materials on hand, both raw and in a progressive state; and in a time of peace, when money is plentiful, and the demand quick, these are generally in a greater proportion to his trade than at any other time. The traders, his immediate customers, deprived of the usual channels of consumption, are incapable of

purchasing his goods, or if they purchase, are rendered incapable of payment, by the general scarcity of money and failure of remittances. The manufacturer's stock, or his book debts, which perhaps is still worse, must therefore unavoidably increase, for a manufactory cannot instantly be reduced. His tradesmen, incapable of purchase, are also incapable of regular payment for the goods now become due. On the other hand, the manufacturer, who ordinarily required some accommodation, but who now requires much more : by the poverty of his banker, and the general discredit of bills, is cut off from resources of that kind. In this situation, what must he do? If he sacrifice his goods to provide himself with ready money, the loss is so enormous as perhaps to give a death wound to his capital. If he defer his payments, his credit is in danger of injury. Perhaps he is obliged to do both ; and, in addition, to turn his labourers from their employment, and thereby throw on the public an increase of a burden already nearly insupportable.

This is not an exaggerated representation. The picture is less coloured than the life, as thousands in every part of the kingdom testify. In many instances, all this will not do, bankruptcy unavoidably takes place; and the man who four months since was in a decent and profitable manufactory; who could reckon upon a capital of one, two, ten, or twenty thousand pounds, is now become insolvent. His insolvency affects others. And it is to be remembered that where a manufactory has been carried to the extent of its capital, no security is derived from the largeness of its amount. The more extensive the concern, the broader is the mark, liable to be hit in every possible direction.

Let any man trace the consequences flowing at this time from one great failure, and he will be able to form some estimate of the consequences of many such failures. One generally produces more; and each of these produce others. When great failures formerly happened, still resources remained, sufficient to relieve those who
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might be temporarily affected ; but now, the former sources of relief require assistance themselves ; or, if they require no assistance, yet their own security urges them to deny it to others. Amidst all this accumulated calamity, at what determinate point will it stop ? Can any one foresee the issue ? Can any probable period be assigned for its duration ? It may perhaps be replied, the war will be speedily terminated, and then commerce will revive, and credit be restored. But who knows that the war will be speedily terminated ? Has any one of our wars for a century past, been terminated in less than seven years ? Or, admitting its conclusion before the expiration of the year, what indemnification will the return of peace give, to the thousands who are in the mean time brought to certain ruin, and to the still greater number, who by their losses, become so embarrassed in their affairs, as though they may linger for a while, must yet finally be involved in all the distresses and horrors of insolvency. It may perhaps, be a question in many cases,

cases, whether those who fall, or those who stand, are most entitled to our commiseration.

The distresses of the merchant and the tradesman, are not less than those of the manufacturer. The failure of foreign remittances; the general distress of the country; the universal discredit of bills; and, in many instances, a disposition in persons to avail themselves of these misfortunes as an excuse; will prevent the usual regularity of payments; and will frequently prevent payment altogether. What then must be the general confusion? If the merchant cannot pay the tradesman, the tradesman cannot pay the manufacturer; and the manufacturer becomes unable to pay the merchant for his raw materials. The distress acts and re-acts in every direction. The system of commerce is not dissimilar to a well-constructed but complicated machine. All its parts are dependent on each other. The main wheel, which communicates motion to all, is public credit. Destroy this wheel, the machine is stopped; and when once its operation is interrupted, the

the dependent parts are thrown into disorder, and receive considerable injury.

Unless some well-adapted means are speedily applied, to prevent the further extension of these calamities, if that be possible, they may proceed to the utter destruction of all paper credit. As the paper credit of individuals and of private companies, originally derived its consequence and the facility of its circulation from the establishment of the Bank of England, and the circulation of its notes: so the destruction of that consequence, and the consequent impediment to that circulation, may tend to throw such a general discredit on *all* paper, as to impede the circulation of *any*. It is a serious thought, and may not be wholly undeserving of particular attention.

The foregoing pages afford, perhaps, a sufficient proof, "that the peculiar circumstances of the state of credit, manifested by the late failures," and not only by the late failures, but by the universal
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impediments to the commerce of the nation, “do arise out of causes of a political nature;” and that he who denies the fact, is either himself politically blind, or has an interest and an inclination, to prevent the public from contemplating the true causes of the miseries and losses they are now actually sustaining. Whatever may be said against paper credit and speculation, they are sanctioned by high examples; and though they are frequently attended with abuses which deserve no encouragement, yet the general system, when once set into motion, is entitled to all the protection, which it is in the power of government to bestow. If the system itself, is to be changed, the means to effect that change should be gradually applied; but they ought not to be such as may allow the people to imagine, that while we declare war on our neighbours, we have actually made war on our own commerce, and have really turned our most destructive arms against our own most valuable interests.

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If it should be enquired with what view this pamphlet is written, the answer is, it has two objects in view: the one, to shew that the system of British commerce, is intimately connected with the system of British politics; that it is not so unimportant, and innocently to be trifled with, as some statesmen may imagine; and that this connection, dependence, and importance, may be understood by people in general: the other, by suggesting some ideas to those who are engaged in commercial operations, to prevent the progress of the present distress to so fatal a degree as it might otherwise attain. And if either or all of these ends are effected, this publication will not be destitute of utility.

The first of these objects has occupied the greater part of the preceding pages; and the reader will judge how far they are answerable to the end proposed. The latter is attended with some difficulty; however, every man will be able to determine how far the ideas thrown out, are applicable to his particular circumstances.

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If a universal spirit of forbearance were exercised, by those who have no immediate occasion to remove their property from the hands in which it is deposited, it would prove one of the most important means of general safety. The banking houses which have already stopt payment, might perhaps have been able to answer all their demands, if they had been gradually made. The design of banking is to procure profit; but profit can never be procured, if money is always ready to the whole extent of their engagements. Suppose a banker in the country to have issued cash notes payable on demand, to the amount of forty thousand pounds; perhaps, in the course of his trade, he has found that the flux is on the average equal to the reflux beyond that sum, and therefore he has always thought himself sufficiently secure, by keeping five thousand pounds ready to answer any extraordinary demand. The other thirty-five thousand we will suppose him to have used, partly in discounting good bills, at one, two, and three months date; partly

partly in the public securities; and partly upon mortgage; which latter mode has really been practised, though it is certainly an unwarrantable mode of using the property of the public, because, though perhaps ultimately secure, it is not forthcoming to answer their reasonable demands. Now if these notes, to the whole amount of forty thousand pounds, be presented in one, two or three days, how is the banker to discharge them? At any, but the time of public distress, he might raise the sum on his securities; but when every man's circumstances require similar aid, what effectual resource can he look to? None. He, therefore, shuts up his bank; his stoppage becomes the occasion of the stoppage of his customers; the bills he has discounted become depreciated in value; insolvency ensues; and he is immediately plunged into bankruptcy and ruin.

So the London banker, by the uniform course of his trade has found, that a certain

proportion of all his cash deposits, perhaps a third, is a sufficient security for the difference between his ordinary flux and reflux of cash. The remainder he uses in the most safe and profitable mode the market continually presents. It may all be prudently laid out ; but it may not all be accessible at a moment's warning. Suppose therefore all his creditors to demand payment on the same day, and he is incapable of turning the whole of his securities into money to answer their demands, a stoppage must take place. This again affects his private securities, because perhaps they chiefly consist of the bills and notes of his customers, who were used to avail themselves of his aid. Insolvency here ensues also, and here again it presently issues in bankruptcy and ruin.

But however much the necessity of universal forbearance may be urged, and however clearly its vast utility may be pointed out ; yet when once the public confidence is disturbed, and suspicions have been justified by the failure

lure of houses hitherto great and respectable, it is almost impossible to succeed in its recommendation. Every man naturally looks first to his own interest, and concludes that if others draw out their cash, he only may be left to suffer the ultimate probable inconvenience or loss. We cannot expect much, where interest apparently lies on the opposite side. Other sources of relief must therefore be resorted to.

The principal means of safety then to be relied on, consists in a rigid determination to issue neither notes of hand nor bills of exchange, in any case where the provision for their payment is dependent on a contingency. At such a time as the present, it is impossible for any man in a considerable trade, if in any trade, safely to depend on his usual receipts. A variety of circumstances involved in, and collateral to, those already related, will concur to reduce these receipts. But bills and notes must be duly provided for, otherwise all is lost, and he is utterly undone. This
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caution is not so unnecessary as some persons may imagine; for applications for notes and bills will be much more frequently made, in such exigencies as the present, than at any other time; and it may be very difficult to refuse them. It is however in the highest degree unsafe to issue paper, when its payment depends on any contingency.

This caution is intended to apply, as well to such as is demanded or solicited for the payment of goods as to any other. In this case it is better to defer payment till the time at which the note or bill would have become due, and then if the whole of the money is not ready, that part may be paid which is. If no part of it be ready, payment may be deferred a week or a fortnight. And if money cannot be procured, a confederate creditor would rather in general take his payment in goods, than be subject to further uncertainty or delay. Thus the credit of the debtor, and the property of the creditor, may be mutually preserved; whilst perhaps in the negotiation of bills of exchange, or of notes of
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hand, both may be lost. For if the debtor cannot provide payment on the specific day on which the bill or note becomes due, the demand unexpectedly falls back on the creditor, who has become the indorser; and if he be unprepared they must both fall together.

A second thing necessary, is for manufacturers and traders in general to aim, by all prudent means, rather at the speedy contraction of their affairs, than at the acquisition of any probable profit. Where both can keep pace it is very well. But where one must give way, the latter, being at present the less important, ought to be relinquished. If the property cannot be realized, yet further mischief will at least be prevented; and nothing will be more easy than to extend, when the present gloomy appearance is happily reversed.

A third source of relief may be found, in the practice of more than ordinary œconomy of expence. All unnecessary expences should at least be avoided; for though these may seem trifling, compared with the subject we
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are upon, yet they have their importance; and especially where losses are sustained, which though they do not terminate in immediate ruin, lessen the capital, and render future success more precarious. Nor can it disgrace any man to retrench every superfluous expence when calamity is every where around him. Besides, though the state of his own affairs may not render a strict œconomy absolutely necessary, the condition of the poor has a loud claim, and their numbers and misery are encreasing to a distressing and most alarming degree; thousands are every where thrown out of work, and their claims must not be neglected.

Whatever measures government or the Bank of England may think proper to interpose for the public relief, they will not, of whatsoever nature they be, supersede for the present, the necessity of an immediate attention to those now recommended. Nor is it easy to conceive that *their* united efforts can speedily produce an adequate remedy. The liberality of the discounts at the bank must
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always be governed by a strict regard to its own safety; but it may hoped and reasonably expected that; consistent with its safety, the Directors will do every thing to alleviate the public distress; and to quiet its solicitude. It has been weakly imagined that they, in concert with ministers, have determined, by distressing the country banks, finally to suppress them. But it is impossible that any plan so universally injurious and destructive, can have ever been formed. The distress of the country banks, extended as they now are, must operate to the distress of the bankers in London; not merely by withdrawing their usual balances of cash, but by increasing the public consternation, and by lessening the securities upon which the London bankers have accepted. It must also operate still further to the immediate distress of the manufacturers, and of thousands of private persons and families, whose property has been lodged in their hands. This report is therefore mentioned, only for the purpose of shewing that it can have no foundation. For, whatever regulations of the

cotntry banks the public interest may require, common sense will determine that they ought to be gradually applied. Violent measures must necessarily be followed by proportionate effects; and these effects in their turn become causes productive of others infinitely mischievous.

The means of safety, or rather of preventing unnecessary calamities, here recommended, have undoubtedly already occurred to many. They are not presented to the public as a secret in the possession of the author. Every prudent thinking man may have already resorted to them. But perhaps there are some, who, in a time like the present, confounded and dismayed by the gloomy posture of commercial affairs, are ready to give up all for lost; and the agitation of their minds may possibly prevent their perceiving, what might at another time and in other circumstances, be obvious. To these, the ideas here thrown out may not be altogether useless. It is as much the interest of the creditor as it is of the debtor to avoid bills and notes, the

payment of which is uncertain ; and it is much more the interest of the creditor to wait for his payment, to receive it as his debtor shall be able to make it, or to take it in goods at a fair price ; than it is to distress his debtor, and thereby reduce his own receipt to a small dividend under a bankruptcy. It is also wise to relinquish in general the expectation of profit, and for every man to reduce his affairs as near as possible to certainty. People can hardly be sufficiently aware of the advantage such a measure will produce. It is much better to make no sales, than to make them with that risk, which must now be almost unavoidably attached to a term of credit. And as to the last method recommended, no possible injury can be produced by it, when every one knows that profit is at least suspended, and that losses can with difficulty be escaped. A general retrenchment of expences will be honourable. Every man ought to conform himself to times and circumstances ; and he who can make himself comfortable with the necessaries of life, without its superfluities, will acquire from himself

the approbation of his conscience ; from others additional credit and respect ; and if his circumstances yet permit him to be liberal, from the destitute poor, the blessings and gratitude due to a kind and sympathizing benefactor,

APPENDIX,

A P P E N D I X.

SINCE the foregoing was sent to the press, the number and magnitude of the failures that have happened, render the circumstances of the nation still more highly critical and alarming. The many thousands of labouring poor, who have been and will be thrown out of employ, demand some immediate plan for their relief; and every friend to his country wishes to see some resource opened, besides that of the army or navy; which, however much it may be intended to augment, can provide but for a very small proportion of the whole. The poor must not be left to starve, indeed it cannot be expected that they will submit to starve; neither ought they to be maintained in idleness. Their employment is therefore become a great and important

tant national object; and, unless it be immediately effected, the probable consequences are too melancholy to be described.

Notwithstanding the present calamitous state of our manufacturers, and of our commerce in general, it may be hoped that time and a concurrence of circumstances will revive them. It is therefore important to provide for their future facility, especially in a moment when it can be rendered subservient to the supply of the unemployed manufacturers, and to the preservation of the internal order and safety of the nation. Of all the projects which the ingenuity of modern times have contrived for the benefit of commerce, that of forming navigable canals is one of the greatest. The public are so sensible of this, that it is unnecessary to dilate on their utility. Many companies have been already formed for the accomplishment of various plans; and had circumstances continued as they stood when these plans were formed, no question could perhaps have arisen on the propriety of those companies becoming the sole undertakers. The case
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is, however, unhappily altered; and the general destruction of confidence, the injured state of public credit, and the consequent unparalleled scarcity of money, will at least impede their progress. These canals, therefore, now form an object deserving the immediate and best attention of the legislature, as the only probable means for the general employment of the discharged manufacturers; and notwithstanding the times are peculiarly unfavourable for the charge of new taxes, yet the necessity of the case will undoubtedly reconcile the considerate part of the nation to the formation of a fund for this express purpose.

It is impossible to estimate what annual amount may be requisite, for it can only be determined by the numbers of those for whose provision it is designed; but the tax thus appropriated, ought to be levied so as not to fall on the lower, nor even on the middling, classes of the people, whose means of paying the existing taxes are already greatly reduced. The execution of the plan, if it be formed, should
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be committed to persons of unquestionable ability and integrity, but wholly unconnected with government. It should be a great public trust, adequate to its object; and the proceedings of the trustees ought always to be subjected to the public inspection. The expence would probably in a course of years be fully repaid by the produce, which might form a new fund for the more speedy liquidation of the national debt. The tax should of course cease with the necessity.

These are merely hints thrown out for consideration and improvement. If they deserve attention, the plan might speedily be completed and carried into execution; but whether these be adopted or neglected, some plan *must* be formed for the employment and support of the indigent and destitute poor, whose numbers are every day increasing.

Whether the nation at large is yet sensible of the necessity of an immediate peace, cannot perhaps at present be easily determined. Though the conclusion of the war would not presently restore our lost credit, yet it would
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brighten our prospects and encourage our hopes ; it would tend to remove the public despondency, and it would certainly lessen the national exigencies. The town of Nottingham have already set an example of an application to parliament, by stating the ruinous effects of the war, and their earnest desire that a period may be put to its progress ; and if the general opinion be with them, and that opinion were expressed by orderly and respectful representations similar to theirs, no reasonable doubt can exist that government would yield to the public inclination, and take measures to put an immediate termination to so calamitous and inconceivably ruinous a contest.

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